

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
Washington, DC 20250

**Notice LD-479**

**For:** State and County Offices

**Spotcheck Procedure for Small Hog Operation Payment (SHOP) Program**

**Approved by:** Acting Deputy Administrator, Farm Programs



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**1 Overview**

**A**

**Background**

Notice LD-478 was issued on January 28, 1999, to provide policy and procedure for SHOP.

Information provided during the conference calls held on January 26 and 27, 1999, regarding SHOP spotcheck procedure was not complete.

**B**

**Purpose**

This notice provides information for:

- completing spotchecks
- required documentation
- COC action.

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**Disposal Date**

August 1, 1999

**Distribution**

State Offices; State Offices relay to County  
Offices

## 2 Spotcheck Procedure

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### A

#### Spotchecks

County Offices shall spot-check 5 percent, but not less than 1, of all approved FSA-1042's to ensure that the program is carried out according to approved policy and procedure. Use the following procedures to implement spotchecks:

- by **COB Friday, February 26, 1999**, select 1 out of every 20 hog operations approved for SHOP
- by telephone, contact each contact producer of the selected hog operation:
  - that a spotcheck is being completed for the hog operation
  - to provide the name of the buyer of the hogs reported on FSA-1042
  - to request supporting documentation according to subparagraph B.

Record the name of the buyer in the Remarks section of FSA-1042.

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### B

#### Supporting Documentation

Inform the contact producer of the hog operation to provide, within 5 business days, copies of sales documents that show at least all of the following:

- name of buyer
- date of sale
- number of slaughter hogs and feeder pigs sold
- price received.

Any hog operation that cannot provide the required documentation will be ineligible for SHOP.

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### C

#### Reviewing Documentation

When the supporting documentation is received in the County Office:

- make a copy, date stamp copy, and return originals to the contact producer
  - review sales documents to verify:
    - the date of sale for slaughter hogs and feeder pigs is between July 1, 1998 through December 31, 1998
    - that the total number of slaughter hogs and feeder pigs sold does not exceed 999 head.
  - attach supporting documentation to FSA-1042.
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## 2 Spotcheck Procedure (Continued)

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### D

#### Completing Reviews

Complete spotcheck reviews within 60 calendar days after signup has ended. This table explains the action necessary based on results of the review.

IF the review verifies the slaughter hogs and feeder pigs...	THEN...
<ul style="list-style-type: none"> <li>were marketed during the marketing period</li> <li>marketed does not exceed 999 head</li> </ul>	no further action is necessary.
either of the following: <ul style="list-style-type: none"> <li>were not marketed during the marketing period</li> <li>marketed exceeds 999 head</li> </ul>	the hog operation is not eligible for SHOP and the entire payment must be refunded.
were marketed during the marketing period and are less than 1,000 head; however, documentation submitted raises concerns or questions about the hog operation's eligibility	COC must review and determine either of the following: <ul style="list-style-type: none"> <li>good faith</li> <li>misrepresentation, scheme, or device.</li> </ul>

### E

#### COC Determination

If COC:

- determines good faith, no further action is necessary
- cannot determine good faith and determines that misrepresentation, scheme, or device occurred, the hog operation is not eligible for SHOP and the entire SHOP payment must be refunded.

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## 2 Spotcheck Procedure (Continued)

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### F

#### Refunds

For hog operations that must refund payments because the hog operation has been determined out of compliance, interest will accrue at the CCC borrowing interest rate from the date of payment through the date the refund is received. Inform the producer of any amounts due according to 58-FI. If refunds are not paid by the due date, establish a claim according to 58-FI in the normal manner.

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## 3 Action

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### A

#### County Office Action

County Offices shall:

- document results of the spotcheck in the Remarks section of FSA-1042
  - notify State Offices of the spotcheck results at the completion of all spotcheck reviews as follows:
    - total number of FSA-1042's selected for spotcheck
    - total number of FSA-1042's with discrepancies
    - for FSA-1042's with discrepancies only:
      - hog operation name
      - discrepancy found
      - COC action
      - dollar amount of refund, as applicable.
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### B

#### State Office Action

State Offices shall:

- maintain a file of all spotcheck reports
  - send a memorandum summarizing the spotcheck results after the completion of the spotcheck procedure to PSD by FAX at 202-690-3307.
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